

ECONOMIC COOPERATION

Agreement, with annex, exchange of notes, and exchange of aide memoire, signed at Nanking July 3, 1948

Entered into force July 3, 1948

Article V amended by agreements of March 26 and 31, 1949;¹ January 21 and 31, 1950;² and August 11, 1965³

62 Stat. 2945; Treaties and Other
International Acts Series 1837

ECONOMIC AID AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF CHINA

PREAMBLE

The Government of the United States of America and the Government of the Republic of China:

Considering that it is the policy of the Government of the United States of America to extend economic assistance to the people and the Government of China in accordance with the provisions of the China Aid Act of 1948;⁴ and

Considering that it is the policy of the Government of China to undertake a vigorous program of self help in order to create more stable economic conditions in China, and to improve commercial relations with other countries;

Have agreed as follows:

ARTICLE I

The Government of the United States of America undertakes to assist China, by making available to the Government of China or to any person, agency or organization designated by the latter Government such assistance as may be requested by it and approved by the Government of the United States of America. The Government of the United States of America will furnish this assistance under the provisions, and subject to all of the terms, limitations and conditions, of the China Aid Act of 1948 (other than Section 404 (b) thereof), acts amendatory and supplementary thereto and appropriation acts thereunder, and will make available to the Government of China only such commodities, services and other assistance as are authorized to

¹ TIAS 1923, *post*, p. 851.

² 5 UST 2154; TIAS 3077.

³ 16 UST 1650; TIAS 5888.

⁴ 62 Stat. 158.

be made available by such acts. The Government of the United States of America may suspend or terminate at any time the assistance under this Article.

ARTICLE II

1. In order to achieve the maximum improvement of economic conditions through the employment of assistance received from the Government of the United States of America, the Government of China undertakes

(a) to adopt or maintain the measures necessary to ensure efficient and practical use of economic resources available to it, including

(1) such measures as may be necessary to ensure that the commodities and services obtained with assistance furnished under this Agreement are used for purposes consistent with this Agreement;⁵

(2) to the extent practicable, measures to locate, identify and put into appropriate use in furtherance of its efforts to improve economic conditions, in China, assets, and earnings therefrom which belong to nationals of China and which are situated within the United States of America, its territories or possessions. Nothing in this clause imposes any obligation on the Government of the United States of America to assist in carrying out such measures or on the Government of China to dispose of such assets;

(b) to promote the development of industrial and agricultural production on a sound economic basis;

(c) to initiate and maintain financial, monetary, budgetary and administrative measures necessary for the creation of more stable currency conditions and for the promotion of production and marketing of goods for domestic consumption and export; and

(d) to cooperate with other countries in facilitating and stimulating an increasing interchange of goods and services with other countries and in reducing public and private barriers to trade with other countries.

2. The Government of China will take the measures which it deems appropriate to prevent, on the part of private or public commercial enterprises, business practices or business arrangements affecting international trade which have the effect of interfering with the purposes and policies of this Agreement.

ARTICLE III

1. The Government of China undertakes to make all practicable efforts to improve commercial relations with other countries, including measures to improve the conditions affecting the carrying on of foreign trade by private enterprises in China.

⁵ See also annex, p. 835.

2. The Government of China, in carrying out the provisions of paragraph 1 of this Article, will, among other measures, administer such import and exchange controls as are, or may be, made necessary by the exigencies of China's international balance of payments and the foreign exchange resources available to the Government of China, in a uniform, fair and equitable manner.

3. The Government of the United States of America and the Government of China will consult, upon the request of either, regarding any matter relating to the application of the provisions of this Article.

ARTICLE IV

1. All commodities provided by the Government of the United States of America pursuant to this Agreement shall be processed and distributed by commercial enterprises or by private or Chinese Government agencies, and in accordance with terms and conditions, agreed upon from time to time between the Government of the United States of America and the Government of China.

2. The Government of China, in consultation with representatives of the United States of America, will take all appropriate steps designed to achieve fair and equitable distribution within the areas under its control of commodities provided by the Government of the United States of America pursuant to this Agreement and of similar commodities imported into China with other funds or produced locally. To the extent that circumstances and supply availabilities permit, a distribution and price control system shall be inaugurated or maintained in urban centers of China with the intent of insuring that all classes of the population shall receive a fair share of imported or indigenously produced essential civilian supplies. In permitting expendable commodities made available under this Agreement to be utilized in support of the Chinese efforts to improve consumption and price controls, it is understood that the Government of the United States of America takes no responsibility for the success of these urban programs.

3. The prices at which supplies furnished by the United States of America pursuant to this Agreement will be sold in China shall be agreed upon between the Government of the United States of America and the Government of China.

ARTICLE V⁶

1. The provisions of this Article shall apply only with respect to assistance which may be furnished by the Government of the United States of America on a grant basis pursuant to this Agreement.

⁶ For amendments to art. V, see agreements of Mar. 26 and 31, 1949 (TIAS 1923, *post*, p. 851); Jan. 21 and 31, 1950 (5 UST 2154; TIAS 3077); and Aug. 11, 1965 (16 UST 1650; TIAS 5888).

2. The Government of China agrees to establish a special account in the Central Bank of China in the name of the Government of China (hereinafter called the special account) and to make deposits in Chinese currency to this account as follows:

(a) The unencumbered balance at the close of business on the day of the signature of this Agreement in that special account in the Central Bank of China in the name of the Government of China established pursuant to the Agreement between the Government of the United States of America and the Government of China made on October 27, 1947,⁷ and any further sums which may from time to time be required by such Agreement to be deposited in that special account. It is understood that subsection (E) of Section 114 of the Foreign Assistance Act of 1948⁸ constitutes the approval and determination of the Government of the United States of America with respect to the disposition of such balance referred to in that Agreement, and

(b) The unencumbered balances of the deposits made by the Government of China pursuant to the exchange of notes between the two Governments dated April 30, 1948.⁹

(c) Amounts commensurate with the indicated dollar cost to the Government of the United States of America of commodities, services and technical information (including any costs of processing, storing, transporting, repairing or other services incident thereto) made available to China on a grant basis pursuant to this Agreement less, however, the amount of deposits made pursuant to the exchange of notes referred to in sub-paragraph (b). The Government of the United States of America shall from time to time notify the Government of China of the indicated dollar cost of any such commodities, services and technical information and the Government of China will deposit in the special account at such times as may be specified by the Government of the United States of America a commensurate amount of Chinese currency computed at a rate of exchange to be agreed upon between the Government of the United States of America and the Government of China. The Government of China will upon the request of the Government of the United States of America make advance deposits in the special account which shall be credited against subsequent notifications pursuant to this paragraph.

3. The Government of the United States of America will from time to time notify the Government of China of its requirements for administrative expenditures in Chinese currency within China incident to operations under the China Aid Act of 1948 and the Government of China will thereupon

⁷ TIAS 1674, *ante*, p. 802.

⁸ 62 Stat. 150.

⁹ For text, see *Department of State Bulletin*, May 16, 1948, p. 647.

make such sums available out of any balances in the special account in the manner requested by the Government of the United States of America in the notification.

4. The Government of China will further make such sums of Chinese currency available out of any balances in the special account as may be required to cover: A. Expenditures required to carry out the purposes of the Joint Commission on Rural Reconstruction in China as provided for by Section 407 of the China Aid Act of 1948; and B. Costs (including port, storage, handling and similar charges) of transportation from any point of entry in China to the consignee's designated point of delivery in China of such relief supplies and packages as are referred to in Article VII.

5. The Government of China shall dispose of any remaining balance in the special account only for such purposes as may be agreed from time to time with the Government of the United States of America including in particular: A. Sterilization as a measure of monetary and financial stabilization; B. Expenditures incident to the stimulation of productive activity and the development of new sources of wealth including materials which may be required in the United States of America because of deficiencies or potential deficiencies in the resources of the United States of America; C. Expenditures upon projects or programs the external costs of which are being covered in whole or in part by assistance rendered by the Government of the United States of America or by loans from the International Bank for Reconstruction and Development; or D. Expenditures upon uncompleted relief or work relief projects undertaken pursuant to the Agreement between the Governments of the United States of America and of China of October 27, 1947.

6. The Government of China will maintain the value in terms of United States dollar equivalent of such amount of the special account as is: A. Indicated by the Government of the United States of America as necessary for administrative expenditures referred to in paragraph 3 of this Article; B. Required for the purposes of paragraph 4 of this Article; and C. Agreed between the two Governments to be necessary to defray the expenses in Chinese currency associated with reconstruction projects or programs the external costs of which are met in whole or in part by assistance rendered by the Government of the United States of America pursuant to the Agreement. The Government of China will carry out this provision by depositing such additional amounts of Chinese currency as the Government of the United States of America may from time to time determine after consultation with the Government of China.

7. Any unencumbered balance remaining in the special account on April 3, 1949,¹⁰ shall be disposed of within China for such purposes as may hereafter be agreed between the Governments of the United States of Amer-

¹⁰ For an amendment, see agreement of Mar. 26 and 31, 1949 (TIAS 1923), *post*, p. 851.

ica and of China, it being understood that the agreement of the United States of America shall be subject to approval by act or joint resolution of the Congress of the United States of America.

ARTICLE VI

1. The Government of China will facilitate the transfer to the United States of America for stockpiling or other purposes of materials originating in China which are required by the United States of America as a result of deficiencies or potential deficiencies in its own resources upon such reasonable terms of sale, exchange, barter or otherwise and in such quantities and for such period of time as may be agreed to between the Governments of the United States of America and of China after due regard for the reasonable requirements of China for domestic use and commercial export of such materials. The Government of China will take such specific measures as may be necessary to carry out the provisions of this paragraph.¹¹ The Government of China will, when so requested by the Government of the United States of America, enter into negotiations for detailed arrangements necessary to carry out the provisions of this paragraph.

2. The Government of China will, when so requested by the Government of the United States of America, negotiate such arrangements as are appropriate to carry out the provisions of paragraph (9) of subsection 115 (B) of the Foreign Assistance Act of 1948 which relates to the development and transfer of materials required by the United States of America.

3. The Government of China, when so requested by the Government of the United States of America, will cooperate, wherever appropriate, to further the objectives of paragraphs 1 and 2 of this Article in respect of materials originating outside of China.

ARTICLE VII

The Government of China will, when so requested by the Government of the United States of America, enter into negotiations for agreements (including the provisions of duty free treatment under appropriate safeguards) to facilitate the entry into China of supplies of relief goods donated to or purchased by United States voluntary non-profit relief agencies and of relief packages originating in the United States of America and consigned to individuals residing in China.

ARTICLE VIII

1. The two Governments will, upon the request of either of them, consult regarding any matter relating to the application of this Agreement or to operations or arrangements carried out pursuant to this Agreement.

2. The Government of China will communicate to the Government of the United States of America in a form and at intervals to be indicated by the latter after consultation with the Government of China:

¹¹ See also exchange of aide memoire, p. 837.

(a) detailed information regarding projects, programs and measures proposed or adopted by the Government of China to carry out the provisions of this Agreement;¹²

(b) full statements of operations under this Agreement, including a statement of the use of funds, commodities and services received thereunder, such statements to be made in each calendar quarter;

(c) information regarding its economy and any other relevant information which the Government of the United States of America may need to determine the nature and scope of operations, and to evaluate the effectiveness of assistance furnished or contemplated under this Agreement.

3. The Government of China will assist the Government of the United States of America to obtain information relating to the materials originating in China referred to in Article VI which is necessary to the formulation and execution of the arrangements provided for in that Article.

ARTICLE IX

1. The Government of China will keep the people of China fully informed of the progress achieved by the Government of China in implementing the undertakings contained in this Agreement designed to achieve more stable economic conditions in China, and it will provide continuously information to the people of China regarding the nature and extent of assistance furnished pursuant to this Agreement. It will make such information available to the media of public information and will take practicable steps to ensure that appropriate facilities are provided for the dissemination of such information.

2. The Government of the United States of America will encourage the dissemination of such information and will make it available to the media of public information.

3. The Government of China will make public in China in each calendar quarter full statements of operations under this Agreement, including information as to the uses of funds, commodities and services received.

ARTICLE X

1. The Government of China agrees to receive a Special Mission for Economic Cooperation which will discharge the responsibilities of the Government of the United States of America in China under this Agreement.

2. The Government of China will, upon appropriate notification from the Ambassador of the United States of America in China, consider the Special Mission and its personnel as part of the Embassy of the United States of America in China for the purposes of enjoying the privileges and immunities accorded to that Embassy and its personnel of comparable rank. The Government of China will further accord appropriate courtesies to the mem-

¹² See also annex, p. 835.

bers and staff of the Joint Committee on Foreign Economic Cooperation of the Congress of the United States of America and will grant them the facilities and assistance necessary to the effective performance of their responsibilities.

3. The Government of China will extend full cooperation to the Special Mission and to the members and staff of the Joint Committee. Such cooperation shall include the provision of all information and facilities necessary to the observation and review of the carrying out of this Agreement, including the use of assistance furnished under it.

ARTICLE XI

1. The Governments of the United States of America and of China agree to submit to the decision of the International Court of Justice any claim espoused by either Government on behalf of one of its nationals against the other Government for compensation for damage arising as a consequence of governmental measures (other than measures concerning enemy property or interests) taken after April 3, 1948 by the other Government and affecting property or interests of such national including contracts with or concessions granted by duly authorized authorities of such other Government. It is understood that the undertaking of each Government in respect of claims espoused by the other Government pursuant to this paragraph is made in the case of each Government under the authority of and is limited by the terms and conditions of such effective recognition as it has heretofore given to the compulsory jurisdiction of the International Court of Justice under Article 36 of the Statute of the Court.¹³ The provisions of this paragraph shall be in all respects without prejudice to other rights of access, if any, of either Government to the International Court of Justice or to the espousal and presentation of claims based upon alleged violations by either Government of rights and duties arising under treaties, agreements or principles of international law.

2. The Governments of the United States of America and of China further agree that such claims may be referred in lieu of the Court to any arbitral tribunal mutually agreed upon.¹⁴

3. It is further understood that neither Government will espouse a claim pursuant to this Article unless the national concerned has exhausted the remedies available to him in the administrative and judicial tribunals of the country in which the claim exists.

ARTICLE XII

1. This agreement shall become effective on this day's date. It shall remain in force until June 30, 1950 and, unless at least six months before June

¹³ TS 993, *ante*, vol. 3, p. 1186.

¹⁴ See also exchange of notes, p. 836.

30, 1950, either Government shall have given the other notice in writing of intention to terminate the Agreement on that date, it shall remain in force thereafter until the expiration of six months from the date on which such notice shall have been given. Article V shall remain in effect until all the sums in the currency of China required to be disposed of in accordance with its own terms have been disposed of as provided in such Article.

2. This Agreement may be amended at any time by agreement between the two Governments.

3. The Annex to this Agreement forms an integral part thereof.

4. This Agreement shall be registered with the Secretary-General of the United Nations.

In witness whereof the respective representatives duly authorized for the purpose have signed the present Agreement.

Done at Nanking in duplicate in the English and Chinese languages, both texts authentic, this third day of July 1948, corresponding to the third day of the seventh month of the thirty-seventh year of the Republic of China.

J. LEIGHTON STUART

For the Government of the United States of America

WANG SHIH-CHIEH

For the Government of the Republic of China

ANNEX

1. It is understood that the requirements of paragraph 1 (a) of Article II, relating to the adoption of measures for the efficient use of resources would include, with respect to commodities furnished under the Agreement, effective measures for safeguarding such commodities and for preventing their diversion to illegal or irregular markets or channels of trade.

2. It is understood that the Government of China will not be requested, under paragraph 2 (a) of Article VIII to furnish detailed information about minor projects or confidential commercial or technical information the disclosure of which would injure legitimate commercial interests.

3. It is understood that the Government of the United States of America in making the notifications referred to in paragraph 2 of Article X would bear in mind the desirability of restricting, so far as practicable, the number of officials for whom full diplomatic privileges would be requested. It is also understood that the detailed application of Article X would, when necessary, be the subject of intergovernmental discussion.

NANKING, *July 3, 1948*

J. LEIGHTON STUART

WANG SHIH-CHIEH

EXCHANGE OF NOTES

The American Ambassador to the Minister of Foreign Affairs

AMERICAN EMBASSY

NANKING, July 3, 1948

No. 491

EXCELLENCY:

I have the honor to refer to the conversations which have recently taken place between representatives of our two Governments on the conclusion of a Bilateral Agreement relative to the American Aid to China, and to confirm the understanding that any agreements which might be arrived at pursuant to Paragraph 2 of Article XI would be subject to ratification by the Senate of the United States of America.

Please accept, Excellency, the renewed assurance of my highest consideration.

J.L.S.

His Excellency

Dr. WANG SHIH-CHIEH,
Minister for Foreign Affairs,
Ministry of Foreign Affairs,
Nanking.

*The Minister of Foreign Affairs to the American Ambassador*THE MINISTRY OF FOREIGN AFFAIRS
REPUBLIC OF CHINA

NANKING, July 3, 1948

EXCELLENCY:

I have the honor to acknowledge receipt of your Excellency's Note No. 491 reading as follows:

[For text of U.S. note, see above.]

I have the honor to confirm the above understanding.

Please accept, Excellency, the renewed assurances of my highest consideration.

WANG SHIH-CHIEH

His Excellency

Dr. J. LEIGHTON STUART,
Ambassador of the United States
of America to China,
Nanking.

EXCHANGE OF AIDE MEMOIRE

The American Embassy to the Ministry for Foreign Affairs

No. 560

AIDE-MEMOIRE

With reference to Aide-Memoires numbered 530, 531 and 532 of July 19, 1948, and subsequent discussions of the subjects treated therein between Dr. Tung Ling of the Ministry of Foreign Affairs and an officer of the Embassy, the Embassy reported to the Department of State the views of the Ministry as presented. In deference to the views of the Ministry of Foreign Affairs that the amendments requested in the Economic Aid Agreement and the annexed Note are unnecessary, the Department of State has now authorized the Embassy to withdraw its request for such amendments.

Apart from the question of amendment, however, the Department of State has requested the Embassy to bring to the attention of the Ministry of Foreign Affairs the importance attached by the United States Government to the omission from paragraph 1 of Article VI of the language cited in the Embassy's Aide-Memoire No. 532 of July 19. Accordingly the Embassy would appreciate confirmation from the Ministry of Foreign Affairs that it concurs in the interpretation of the United States Government that "specific measures as may be necessary to carry out the provisions of this paragraph", which sentence appears in paragraph 1 of Article VI of the Agreement, comprehends the promotion of the increased production of such materials in China and the removal of any hindrance to the transfer of such materials to the United States of America.

NANKING, *July 27, 1948*

The Ministry for Foreign Affairs to the American Embassy

THE MINISTRY OF FOREIGN AFFAIRS
REPUBLIC OF CHINA

AIDE-MEMOIRE

Reference is made to the Embassy's Aide-Memoire numbered 560 of July 27, 1948, which states, *inter alia*, that, according to the view of the United States Government, "specific measures as may be necessary to carry out the provisions of this paragraph", provided in Paragraph 1 of Article VI of the Sino-American Bilateral Aid Agreement of July 3, 1948, comprehends the promotion of the increased production of such materials in China and the removal of any hindrance to the transfer of such materials to the United States of America.

In reply, the Ministry wishes to inform the Embassy that the Chinese Government concurs with the United States Government in the interpretation as stated above.

NANKING, *July 28, 1948.*